

**RXP SERVICES LIMITED**

ABN 30 146 959 917

**Release to Australian Securities Exchange**

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**21 February 2019****Growing earnings and pipeline – on track to deliver guidance of double-digit earnings growth**

Leading digital services consultancy provider RXP Services Limited (ASX: RXP) today announced its results for the 6 months ended 31 December 2018 (H1 FY19).

**H1 FY19 key highlights**

- Revenue of \$71.4 million (1H18: \$70.2 million), with digital transformation sales growth driving a higher quality revenue base
- Underlying EBITDA of \$8.4 million (H1 FY18: \$7.6 million), growth in line with guidance, supported by higher-margin digital service offering
- Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) of \$7.7 million (H1 FY18: \$6.5 million)
- NPAT of \$4.5 million (H1 FY18: \$4.2 million); EPS of 2.8 cents
- Operating cash flow up 56% to \$7.3 million, with cashflow conversion representing 95% of EBITDA
- Strong improvements in utilisation (over 88%) due to an enhanced management process
- Interim dividend of 1.75 cps fully franked (H1 FY18: 1.5 cps), payable 11 April 2019

**Strong growth in digital sales driving improved margins**

Commenting on the half year result, RXP Chief Executive Officer Ross Fielding said: “RXP’s results were characterised by the continued shift to digital work, with sales in digital transformation related work up 36% over the half, led by our human-centred design, analytics, and platforms work. This shift is improving the quality of our revenue, growing gross margins, and offsetting the squeeze we previously felt across some of our traditional consulting work.

“The breadth of our digital services offering, strengthened significantly by The Works, is allowing us to continue to win new clients and to broaden our services within many of our existing clients. Some of the recent wins such as DHHS, Madi Homes, Smith Family, Sydney Bridge Climb, Subaru, Peugeot and H&R Block are examples of how we are winning in the market place.

**Making Happier Humans**

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“Importantly, over the half we implemented a number of initiatives that have improved our operational leverage and positioned us well to accelerate growth going forward. We are seeing a streamlined management system, improved utilisation levels, and increased billings per consultant as a result of the business realignment”, said Mr Fielding.

#### **The Works – creating new digital opportunities**

The Works has integrated well into the RXP Group and continues to deliver in line with our expectations. The combined capabilities of RXP & The Works has proven to be a key driver for a number of client wins in the first half and this is expected to gain momentum moving forward.

#### **Comfortable debt position; operating cash flow up 56% to \$7.3 million**

As at 31 December 2018, cash balance was \$12.0 million, with net debt of \$11.0 million, providing RXP with the flexibility required to grow the business. Over the half, \$10.5 million was drawn down from the loan facility as part of the deferred consideration for The Works. The final earn out payment of \$2.0 million for The Works is expected to be paid in the first half of the 2020 financial year, and this will be funded from operating cashflow.

Very strong cashflow conversion was a highlight of the first half, with operating cash flow representing 95% of EBITDA (up from 72% in H1 FY18). This provides RXP with the flexibility to reinvest in the business for future growth, pay down debt, and reward its shareholders.

Reflecting the company’s strong balance sheet, cash flow profile, and the Board’s positive outlook moving into the second half, the Company is pleased to declare an interim dividend of 1.75 cps, fully franked, payable on 11 April 2019.

#### **Strong outlook – refreshed business and accelerating growth profile**

Commenting on RXP’s outlook, Mr Fielding said: “We enter the second half with a strong degree of confidence. Our pipeline remains strong, with a healthy mix of digital and traditional work flowing through. Our organisational changes are ensuring we are closely managing resource and investment allocation based on regional needs. We have high utilisation rates, and we are now growing our headcount.

“All of these factors means we are very well positioned to deliver on our FY19 guidance of double digit earnings growth.

“Looking out beyond FY19, we believe our shift to digital remains the right strategy, and we will continue to invest in our digital capabilities to drive future growth. We are seeing the benefits of higher quality revenue and higher margins, and expect to see this trend continue”, said Mr. Fielding

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**About RXP Services Limited**

RXP is a publicly listed, practice led Digital Services Partner with specialist consultants across 5 offices and 7 practices in the Asia Pacific region. We bring together creativity, design, insights and technology to help create Happier Humans.

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## APPENDIX: H1 FY19 financial summary

(\$ million)	H1 FY19	H1 FY18	Change
<b>Revenue</b>	71.4	70.2	1.6%
<b>EBITDA</b>	7.7	6.5	19.3%
<b>NPAT</b>	4.5	4.2	6.9%
<b>Underlying EBITDA</b>	8.4	7.6	9.9%
<b>Underlying EBITDA margin (%)</b>	11.7	10.8	
<b>Basic EPS (cents)</b>	2.79	2.67	4.5%
<b>Operating cash flow</b>	7.3	4.7	56%
<b>Interim dividend (cps)</b>	1.75	1.50	

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